



Between the Lines

Daily Corporate News Analysis

Aug 7th 2008

Hindustan Unilever Ltd.

Result Update

Key Data

CMP	Rs.242
Target (1-year)	Rs.295
Date	Aug 7 th 2008
Sector	FMCG
Face Value	Re. 1
BSE Code	5000696
52 Week H/L	Rs. 256/170
Market Cap	Rs. 52714.86 Cr

Investment Rationale

Hindustan Unilever, India's biggest FMCG company beats slowdown.

HUL reported a 21% growth Y-o-Y in net sales during Q2CY08, driven by a strong 19% growth in the FMCG business.

Focused action on cost management, improved portfolio mix and judicious pricing helped mitigate the impact of steep cost inflation.

Despite of increasing product prices to counter rising input costs the company witnessed **healthy volume growth** across all product segments.

Key Developments

HUL recently launched new products in the personal care segment under the premium brands Dove and Ponds. It is also test marketing its brain food portfolio under the brand kissan Amaze in 3 southern states.

Financial Performance

HUL's net sales spurted up by 21% Y-o-Y to Rs4215.67crore in Q2CY08 led by 8.3% volume growth and 9.7% price led growth. All the segments recorded a strong growth momentum led by 19% growth in personal products and 21% growth in soaps and detergents. Operating Margins declined by 130bps to 13.1% resulting in muted EBITDA growth of 10% yoy to Rs551crore. PAT grew by 13.2% Y-o-Y to Rs558.18 crore.



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Valuations

At the CMP of Rs242, Hindustan Unilever Ltd. is quoting at a PER of 28.26 on CY07 EPS. On EV/Sales and on EV/EBIDTA basis it is quoting at 3.38x and 19.34x respectively.



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